

**TASK FORCE ON
AGRICULTURAL FINANCE AND FARMLAND ISSUES
IN THE NIAGARA TENDER FRUIT INDUSTRY**

Report

To the Honourable Elmer Buchanan, Ontario Minister of Agriculture and Food

May 16, 1991

I. INTRODUCTION

The importance of preserving Niagara's unique tender fruitlands is well known and documented. Niagara's special tender fruitlands are among the most valuable agricultural lands in Ontario and Canada.

Niagara's tender fruit industry is facing severe economic problems as a result of a cost-price squeeze. Preserving this provincially and nationally significant resource is a shared responsibility and requires concerted action by producers and all levels of government.

On February 4, 1991, a delegation representing the tender fruit producers in the Niagara area, along with the Chairman of the Region of Niagara, met with the Honourable Elmer Buchanan, Ontario Minister of Agriculture and Food, to discuss the urgent issues facing the tender fruit industry in Niagara. As a result of that meeting a "Task Force" to deal with agricultural finance and farmland issues in the Niagara fruit industry was established.¹ The Task Force was composed of representatives of the Niagara Fruit Industry, the Region of Niagara, and the Ontario Ministry of Agriculture and Food. The Task Force was mandated to formulate an action plan and report by May, 1991.

The Niagara Tender Fruit Task Force respectfully submits its report and recommendations to the Hon. Elmer Buchanan, Minister of Agriculture and Food.

¹ See attached News Release (February 18, 1991)

II. TASK FORCE APPROACH AND ASSUMPTIONS

The Task Force adopted a "fast track" approach to identifying problems and solutions and was able to proceed without new studies because the Niagara Tender Fruit Working Group had, based on various extensive studies of the industry, reached conclusions aimed at bringing the *"industry into a competitive and viable position"*.²

Their conclusions were as follows:

- " 1. The Niagara tender fruit industry is experiencing economic hardship.
2. The preservation of the tender fruit lands resource of Niagara is vulnerable to the economic difficulties of the industry and the resulting pressures to permit development.
3. The Working Group has assessed all eight options and believe that a program package based on Options 1, 4, 6 and 8 which are:
 - Input Cost Assistance
 - Safety Net system
 - Lease of Conservation Easements/Development Rights
 - Marketing Initiatives
 would be the most appropriate to support a continuing viable tender fruit industry. The Working Group could not discount the merits of any other single option.
4. There is a need for reaction and action from government, industry and the public on this report."³

The Working Group's conclusions were based on two key assumptions:

1. It is in the public's interest to protect and preserve the Niagara Fruitlands and the Niagara tender fruit industry

² The Tender Fruit Industry in Niagara: Issues Options and Conclusions,
Report of the Niagara Tender Fruit Working Group, July 1990.

This working group was composed of representatives from the Tender Fruit Industry in Niagara, the Regional Municipality of Niagara, the Ontario Ministry of Agriculture and Food and Agriculture Canada

³ IBID. Page 18.

primarily as it is presently structured. As such, the option of radically altering the industry was not addressed.

2. The actions recommended in the report will permit the industry to evolve in such a way as to promote long term viability.

The industry's own assessment of its present problems and future potential is consistent with the Working Group's findings:

- The industry is operating at a loss
- It will continue to do so without specific short term government support and long term restructuring of the industry to achieve stability
- This situation arises from the industry's international competitive position with respect to pricing, the cost and availability of inputs, and opportunities for development

It is the industry position that, without changes, many full-time farmers are not financially viable at this time. The recommendations in this report are targeted at these full-time operators.

This Task Force has grouped the key issues facing the industry into two priority categories:

Priority 'A'

1. Interest Rates
2. Labour Costs
3. Conservation Easements
4. Third Line of Defense

Priority 'B'

5. Harmonization of Standards
6. Marketing Initiatives

The Priority 'A' issues are viewed by the industry as critical, and requiring an immediate approach. Priority 'B' issues, while important, are considered to be of less critical concern to the industry and of a longer term nature.

This report identifies specific action plans, and suggests new directions for government policies and programs. The recommendations fall within three time frames:

1. Immediate Needs
2. Transitional Actions
3. Long Term Directions.

Recommendations in the 'Immediate' category have been designed to provide immediate support in the context of the overall objective of long term financial viability and environmental sustainability for the industry.

The 'Transitional' period will vary based on the issue and program and is seen as a period of restructuring while the longer term policies and programs take effect. The 'Longer Term' policies are in support of a longer term 'stable' situation. In these cases research will be needed to determine if programs can, or should, be operationalized.

It is anticipated that OMAF will wish to refine these recommendations through extensive internal review and external consultations with the industry and its representative groups. Further, it is expected that the active co-operation and support of the federal and local governments will be necessary.

III. THE POLICY FRAMEWORK

1. Interest Costs

Financing farming operations is a major cost of doing business. These costs relate to both operational and capital borrowing, the latter including borrowing for land acquisitions. Financing land acquisitions is an issue of both interest rates and land value. (The issue of land value is considered separately.)

Data provided by the Task Force on Competitiveness in the Agri-Food Industry indicated that in 1990 real interest rates (after considering inflation) Canada were approximately double (9.45% vs. 4.80%) U.S. rates. These spreads were even more pronounced in Niagara, where effective Canadian rates were running at approximately 14% in 1990 while those of U.S. competitors (with subsidy programs factored in) were as low as 3.5% (the actual spreads vary depending on the measure). The Task Force concludes that Canadian interest rates pose a considerable challenge for Ontario producers in maintaining competitiveness in the immediate and short terms. A stable source of competitively priced financing over a longer term planning period is essential.

Interest rates are primarily determined by federal monetary policies. However, provinces have several means of reducing their impact: loan guarantees, direct interest rate relief, support for alternative funding vehicles, and direct loans at below-market rates. The most direct (though not necessarily the cheapest) approach is through programs that supplement the difference between an appropriate long term rate and market rates.

The long term goal is to work co-operatively with the federal government to reduce interest rates to competitive levels. In the 'immediate' time frame, special interest rate relief for 1990 interest charges should be available by mid-1991. Further, it is expected that the province's response to the Hayes task force will make specific recommendations that reduce the effective cost of borrowing for to levels consistent with long term financial viability for Niagara Tender Fruit Producers.

A target of 8% has been suggested by the industry representatives. While in the short term it is not expected that interest rates will decline to the 8% level it should be noted that interest rates have been declining steadily over the last several months. The spread between U.S. and Can. prime rates dropped to 40 from 207 basis points between October 1990 and March 1991. "De facto" rates paid by farmers must be kept at levels which permit them to operate

competitively. Otherwise, in the long term there may be a need for a program to trigger if interest rates rise above a specified level in relation to an established long term target level.

If such a program were necessary, the target and support level would not be static and would have to be adjusted annually to achieve a long term planning horizon for farmers. Since it is impossible to predict actual market rates, there is no firm estimate of annual costs. However, in Niagara, tender fruit growers faced total liabilities of approximately \$70 million in 1990. Therefore, each point of subsidy based on current operating and capital debt held by producers represents \$0.7 million annually.

In summary, two approaches are needed with respect to interest rate relief. One: short term relief in response to the present situation, and two: alternative efforts to facilitate long term rate stability at a level that allows competition in the international market. Unless the second approach is successful, yearly ad hoc relief programs will be needed. Such programs, which tend to be retroactive, reduce the ability of farmer to undertake the long term planning needed to stabilize the industry.

2. Labour Costs

There are two interrelated components of the labour cost issue - rate and supply. Calculations undertaken by the industry representatives on the Task Force indicate that domestic US labour rates are approximately \$5.27 (Cdn) per hour. Domestic Canadian labour is estimated at \$5.97 per hour.

Industry representatives on the task force have indicated that the increasingly complex Canadian regulatory framework has had a major impact on Canadian labour costs and available supply. Further, it has been noted that changes to the Canadian income tax structure (as it affects the income which can be earned prior to loss of personal credits), have reduced the availability of casual labour in Niagara.

Since domestic labour is difficult to obtain, a program of off-shore labour is widely utilized. The Foreign Agricultural Resource Management Services (FARMS program), with federal support, is a major labour source for the sector. Mexico and the Caribbean are the most active countries in the program. In 1990, over 1200 agricultural workers were supported.

Labour force skill is also an important consideration, and the costs of training are significant since turnover in the industry is rapid. The producers' experience has been that off-shore labour tends to return on a regular basis each year, minimizing training costs. (The domestic labour supply is often student-based, with only minimal long term attachment.)

According to producer information, off-shore labour costs average \$9.15 per hour (of which \$3.18 is for transportation and housing). Based on producer reported domestic labour costs and on the assumption of an equal split between domestic and off-shore labour, the average labour cost in Niagara is \$7.50 per hour, or approximately \$2.23 per hour (42%) more than those faced by U.S. competitors. Since labour has been estimated to represent 24% of gross revenue in the tender fruit industry, the higher Canadian cost structure poses a considerable competitive hurdle in a labour-intensive form of agriculture.

Based on the estimates of the labour rate differentials noted above and total labour requirements (2.56 million hours per year) the total differential labour costs approximate \$5.7 million per year.

In the industry's view, producers face a competitive dilemma which is not directly within their power to overcome: produce prices held down by competition from lower priced imports, while labour (and other) costs are determined in a higher cost Canadian environment. In their view, if prices cannot support the extra costs, some form of government assistance is essential.

Generally speaking, two forms of relief are possible for labour costs. One is the continuance and possible expansion of the off-shore program to ensure a supply of skilled labour. The other would be a program of direct assistance for labour costs coupled with a full review of the longer term ability of the industry to adapt to the higher Canadian structure cost.

Appropriate policy directions for achieving the long term goals of competitive labour costs and comparable productivity are not as easy to stipulate. It is not appropriate to propose reducing Canadian labour rates. Also, the potential gains from mechanization are not clear and require detailed study. As a result, it is likely that there will continue to be a reliance on off-shore labour.

The recommendations in this report will examine both the immediate cost pressures and the need to identify longer term objectives and solutions.

3. Conservation Easements

The importance of preserving Niagara's unique tender fruitlands is well documented. These lands are among the most significant agricultural resources in Ontario. The historic loss of these lands for non-agricultural development has been noted since the 1950's. At present, there is renewed pressure to allow non-farm development on these lands.⁴ The use of conservation easements is one approach, when coupled with proper resource planning policies, to assist in the protection of these lands and to help promote long term viability in the tender fruit industry. Conservation easements attempt to address these goals by reducing and stabilizing long term land costs.

There are two issues associated with land costs in Niagara. First, tender fruit growers have suffered losses in equity as the agricultural value of their land has dropped in response to depressed prices in the industry. Second, the ability of fruit farmers to carry the high cost of the land within the framework of its operational costs of production has diminished. Land costs impact both on operational costs (through financial charges) and in inhibiting entry into the industry by young farmers. The long term goal of policy in this area is to reduce the price of agricultural land to values commensurate with sustainable total costs of production. This policy is aimed at supporting farmers over the long term and protecting agricultural land. It is not intended to ensure speculative returns.

Currently, about 11,565 acres⁵ are in tender fruit production⁶ in Niagara. However, it is estimated that approximately 20% of this acreage is not likely to require protection since it is within urban areas (making protection difficult if not impossible) or because it involves small farms, non-producing land, or because farmers choose not to participate. Hence, about 9,252 acres are potentially available for inclusion in any conservation easement program.

Policy aimed at protecting these lands requires three components: land use planning policy, a conservation easement program and a transition program directed at individual farmers that have had to operate high cost land for agricultural production. The land use policy component must deal with urban

⁴ Proposed Revised Agricultural and Rural Area Policies for Niagara, Report 14, March 1991.

⁵ 1986 Fruit Tree Census (Part II), Tender Fruits, OMAF, June 1987.

⁶ Tender fruit production includes peaches, pears, plums, prunes, sweet cherries and sour cherries.

settlement boundaries as well as rural land use planning. The conservation easement component ensures long term protection of the resource base. The transitional program would be directed at offsetting equity losses as planning policy stabilized and then reduces land values.

Programs of this type have been referred to as "conservation easements" as their goal is to conserve the lands for agricultural purposes and keep them free of urban development over the long term. Where individual farmers are compensated financially an "easement" would be placed on the title which would be in perpetuity and would require repayment should the land ever be needed in the public interest for an urban use of rural use that did not preserve the land for agricultural production over the long term.

Such conservation easements would only be available to the farm community. People who purchased tender fruit lands for the purpose of urban development would be subject to the land use policies that were in place when the lands were purchased. This distinction will not always be straight forward and a method of individual assessment will need to be developed.

A proposal to purchase "conservation easements" to address the problems of the high value of agricultural lands, is a new approach for Ontario. While there are some examples in the U.S., there is no comparable experience in the Canadian context. In essence, a conservation easement program transfers the differential value back to the farmer as a way of protecting his/her equity base, lowering operating costs and ensuring new entrants to the industry.

Calculating costs is difficult because the exact distribution of land ownership is unknown and the price differential figures are, at this juncture, only general estimates. Data from the Farm Credit Corporation indicate that lands for "market peaches" have been rated at approximately \$13,000 per acre, although there have been few recent sales. It is estimated by the industry that \$3,000 is a reasonable land value for tender fruit lands. This value is comparable to actual land value costs in the Harrow area (\$3,000 per acre) and the Leamington area (\$4,000 per acre). Based on these figures there would appear to be a \$9,000 - \$10,000 additional cost for land in the Niagara area. Based on these costs, and if all lands (9,250 acres) were considered eligible, the total cost in the Niagara Region could range between \$83.3 and \$92.5 million.

However, all lands would not be eligible nor would all easements be acquired at the outset. It may take a generation to make the transition. Also, not all the funding need come directly from the Province. Innovative ways of community financing need to be explored.

4. Third Line of Defence

Based on the Agriculture Policy Review, initiated by Agriculture Canada in 1989, several committees were established to report on various issues in agriculture. One on the "fast track", the Federal/Provincial Safety Nets Committee, introduced the concept of the "three lines of defence". The first line of defence is directed at developing an environment which permits self-sufficiency. This is primarily the farmers' responsibility, in consultation and co-operation with government. The first line is in the long term the only cost effective approach to farm sector support. Second line programs are intended to smooth out fluctuations in net revenue and income arising from both production and marketing risks. The third line of defence⁷ represents a systematic approach to events which are beyond the scope of first and second line programs, and is intended to support income in the face of events beyond a farmer's control.

Currently, aggressive efforts are under way to implement Second Line programs (GRIP/NISA), both for long term and as a vehicle for emergency assistance in 1991.

⁷ The Horticulture Third Line of Defense Committee, comprised of federal, provincial and producer representatives, was formed by the federal government to address the need for short term assistance and long term adjustment issues. The committee has been discussing both the implementation of the GRIP and NISA safety nets and short term assistance; further, it has identified long term adjustment issues as a priority.

The federal government announced on April 18, 1991, based on Committee discussions, that it would offer NISA to the horticulture industry for the 1990 tax year and beyond and that it would also provide funding for adjustment programs. To date, there has been limited success in identifying potential crops for GRIP protection, although this remains a priority. Industry leaders have discussed delivering the adjustment component of the federal offer through NISA or through specific programs to be identified jointly with government.

In view of the serious income declines in the sector in 1990 and the increasing cost pressure faced by the industry, the implementation of Third Line programs in support of tender fruits is essential if both the need for income stability and emergency relief is to be satisfied. Such programs must be additional to second line GRIP/NISA support.

5. Harmonization of Standards

Despite the Canada-U.S. Free Trade Agreement, there continue to be some pronounced discrepancies with respect to the availability and cost of chemical inputs. These discrepancies manifest themselves most directly in cases where chemicals are restricted for use in Canada while U.S. food products produced using those same chemicals can be brought into Canada. This can be compounded when Canadian processing plants will not accept produce treated with chemicals licensed for use in Canada but will accept produce from the US treated with chemicals that are not licensed for use in Canada.

While recognizing that there are unique environmental health concerns in both countries which lead to different standards for the importation and use of food and chemicals, it is essential that standards be harmonized where possible.

The harmonization of standards is an ongoing issue. A co-operative mechanism is required to identify and address these issues as they arise. The critical issue for the long term is early identification. Issues involving this priority area are best led by the existing marketing organization and resources should be made available for them to carry out this function. Once an issue has been identified, a co-operative effort between the growers, OMAF and other related agencies would be established.

The most pressing present issue involves the harmonization of standards with respect to various chemicals used in the production of tender fruits. The issue is complex and involves agencies at both the provincial and federal levels and various chemical manufacturers. Also, the issue of the Canadian approach to sustainable agriculture and environment is involved. A committee has been established by the federal government to review the various issues and its report and recommendations are pending at year-end. Potential new policy directions in this area could encompass 'environmental tariffs' where applicable.

6. Marketing Initiatives

Marketing strategies are a major determinant of long term industry stability. The development of appropriate marketing initiatives requires the on-going co-operative efforts of the growers, marketing boards and government.

Marketing strategies and initiatives need to be continually reviewed and updated in a competitive market. They also form the basis for industry co-operation and self regulation. Changing tastes, an expanding array of imported product, and global oversupplies of comparable products make the identification of new products, packaging and export markets critical. In times of economic difficulty, it is especially urgent that sound marketing strategies and programs be developed and implemented.

The tender fruit producers have an excellent marketing board, which needs continued support to develop long term strategies, to participate in the implementation of programs suggested in this report, and to develop and implement its own long term programs in co-operation with its members, OMAF and Agriculture Canada. There may also be a role for an expanded Board newsletter, to more actively promote efforts that the Board directors and staff are making for the industry and perhaps encouraging discussions related to many issues, including marketing.

There is an immediate need to support the industry marketing board's activities in several areas. First is the on-going development of a long term strategic plan. Assistance for this effort should extend over a defined period to focus the board's energies on to developing appropriate plans and implementation strategies.

Second, there will need to be continued development of new marketing approaches, market research and testing. These should be joint efforts amongst growers, OMAF and Agriculture Canada.

IV. REPORT RECOMMENDATIONS

This section discusses the development of programs within the three identified time frames. It focuses on direct assistance in the short term and longer term solutions aimed at self-sufficiency, adjustment and stability within the industry.

In recommending possible initiatives, it is recognized that some are very new (e.g. conservation easements) and can only be discussed in terms of program objectives and policy development processes. Others, where more experience is available, can be developed in greater detail. Recommendations in the 'Immediate' time frame are the most specific. The 'Transitional' recommendations address program needs. The 'Long Term' recommendations address adjustment and self-sufficiency.

Priority 'A' Issues

1. Interest Costs

1.1 Immediate

1.1(a) Recommendation

That tender fruit growers be educated about the availability of interest rate relief available through the 1991 Farm Interest Assistance Program, through direct communications from OMAF, The Tender Fruit Board, the Ontario Fruit and Vegetable Growers' Association, and the Ontario Federation of Agriculture.

The Ontario Ministry of Agriculture and Food (OMAF) recently introduced a \$50 million Farm Interest Assistance Program. The program is targeted to farms in need of financial assistance. Tender fruit farmers will be eligible for immediate assistance under this program. It is estimated that this program will provide \$5 million in interest rate relief to Ontario tender fruit growers.

1.1(b) Recommendation

That OMAF immediately undertake to determine a long term objective for an interest rate program which would allow for appropriate planning horizons for the farm community.

Without such an approach, special programs may be needed annually. An 8% target rate should be carefully considered. Different targets may be appropriate for interest charges on operational loans and on capital loans for assets such as land and equipment.

1.2 Transitional**1.2(a) Recommendation**

That if Canadian interest rates do not decline to levels consistent with the long term viability of the industry by mid-year, transitional programming is recommended for the 1991 year, (retroactively if necessary) to off-set interest rate differentials.

1.2(b) Recommendation

That to avoid such ad hoc programs in the future, the Federal Government be continually pressed to lower market interest rates to competitive levels.

1.3 Long Term

The objective is to allow for long term financial planning for farm families. Long term programs would need to address fluctuations in interest rates beyond a targeted amount.

1.3(a) Recommendation

That OMAF identify suitable proposals for reducing interest rate costs to minimize the effect of the spread between Canadian and U.S. rates.

Specific approaches to be reviewed should include loan guarantees, co-operative community-based lending support, direct assistance and direct

loans, and should reflect the findings of the "Agriculture Finance Review".

1.3(b) Recommendation

That long term programs be co-ordinated with GRIP, NISA and any other third line programs aimed at stabilizing farm income to avoid benefit duplication.

2. Labour Costs

2.1 Immediate

The Task Force has identified that Niagara's labour costs in the tender fruit sector are higher than those in the U.S., and that there are difficulties in securing an adequate cost effective supply of labour. Therefore, two issues should be addressed under this component - cost and supply. The cost component is one of wage support above a competitive level; the supply issue involves training and the use of off-shore labour.

2.1(a) Recommendation

That a program be developed to assist peach, pear, plum and cherry growers to achieve domestic labour rates comparable to those in the U.S.

Based upon the producers' calculation of a \$0.70 differential between domestic Ontario (\$5.97/hour) and domestic U.S. (\$5.27/hour) labour costs, and an estimate of 1.2 million domestic labour hours devoted to these crops, a Wage Rate Assistance Program for growers would cost \$0.85M annually.

2.1(b) Recommendation

That a one-year Offshore Labour Assistance Program be developed for peach, pear, plum and cherry growers.

Based on a labour subsidy of 50% of the difference between producer-reported Canadian off-shore wages (estimated at \$9.15) and U.S. labour rates, total costs could approach \$2.3M. Such a program could be administered as a supplementary payment program or like student employment programs which contribute a set amount per hour.

In this context, the industry in consultation with OMAF, is carrying out a comprehensive labour rate study to establish the sustainable wage rate based on the current and future competitive situation of Ontario tender fruit farmers.

2.2 Transitional

In the transitional phase the off-shore labour program and domestic labour training initiatives need to be assessed. The experience of the growers is that there is a long term need for off-shore labour in the tender fruit industry.

2.2(a) Recommendation

That improvements to the FARMS program be secured to guarantee a stable supply of skilled labour. Specifically, program communication, travel arrangements, and other organizational details require enhancement to encourage foreign country participation.

2.2(b) Recommendation

That the Ministry continue its intensive grower education program as it relates to tender fruit farm management and place additional emphasis on human resource management.

2.2(c) Recommendation

That the Ministry continue Cost of Production studies and other extension efforts with more emphasis on evaluations of management techniques, cost of labour and efficiency gains.

2.2(d) Recommendation

That the growers, in conjunction with OMAF and other government departments, evaluate existing training programs to determine if they can be utilized in the development of a domestic supply of skilled part-time labour.

2.3 Long Term

2.3(a) Recommendation

That a seven year Tender Fruit Labour Adjustment Program be introduced, comprised of 3 components:

- *further research into the management of farm labour on tender fruit farms aimed at securing a stable labour force, both domestically and internationally;*
- *transitory term wage assistance on a declining basis to tender fruit growers facing extreme pressures from changes in labour legislation or from instabilities in the offshore labour market (\$2.5 million); and*
- *funds to provide for a continued enhancement of the offshore labour program (\$6 million).*

2.3(b) Recommendation

That OMAF alert federal officials of concerns faced by the sector and the need to improve the domestic farm labour supply, and work co-operatively to determine joint opportunities for support.

3. Conservation Easements

3.1 Immediate

The use of conservation easements to address the inappropriately high value of tender fruit land in Niagara would represent a major departure from sole reliance on land use control approaches in Ontario. Since the implementation of a conservation easement program is also reliant on changes in Niagara's planning policies, this is a long term program and the recommendations reflect the development and design of such a program for Niagara within a broader Ontario context. Immediate income concerns will be addressed as "third line of defence" issues.

3.1(a) Recommendation

That OMAF establish an internal working group, and an advisory committee comprised of OMAF, the Niagara Region, and the tender fruit industry to consider the adoption of such an approach by the 1992/93 fiscal year, including review of the conditions under which and in what areas it would be used, possible program guidelines and criteria, and how much funding should be allocated.

3.2 Transitional**3.2(a) Recommendation**

That in the transition phase appropriate agricultural policies be adopted by the Province and the Regional Municipality of Niagara.

3.2(b) Recommendation

That methodologies and data bases for determining the actual values on which easements could be based be developed as a general framework.

3.2(c) Recommendation

That OMAF work with the region to determine the lands that would be included and work to determine the cost differentials involved.

3.2(d) Recommendation

That, as Niagara is now reviewing its plan, work commence on the mechanics of the implementation of the easement contract and the long term administration of these easements.

3.2(e) Recommendation

That it be recognized that easements, which are provided as a way to support agricultural land use planning policies, would be voluntary, and that the strength of the program would rest on the land use planning policies.

3.3 Long Term

3.3(a) Recommendation

That the long term objective of a conservation easement program be identified as the preservation of agricultural lands (whether in production at any given time or not), and maintenance of agricultural land values in relation to their input cost value for agricultural production.

3.3(b) Recommendation

That the province recognize the long term desirability of administering both the easement program and the land use planning program locally, based on provincial guidelines with respect to the public reimbursement of funds in cases where agricultural land must be converted in the public interest, to non-agricultural uses which preclude future agricultural production.

3.3(c) Recommendation

That the province work with the Region to monitor the operation of the program.

4. Third Line of Defense

4.1 Immediate

As indicated earlier, land represents a significant input cost pressure in Niagara and the Task Force has recommended pursuing a combination of effective land use planning and a system of conservation easements to facilitate the transition to land values consistent with the long term viability of tender fruit production in Niagara.

The Task Force also acknowledges that the transition to such programs can not be made immediately. Nevertheless, it also recognizes that there exists in the Niagara Region a significant income shortfall resulting from the continued cost-price squeeze which threatens the economic survival of the Niagara tender fruit producers over the short and medium term. In this context, the Task Force considers it essential that short term bridging assistance in 1991 be considered for the Niagara tender fruit industry.

4.1(a) Recommendation

That OMAF immediately assess, and respond to, the need for bridging support to Niagara tender fruit producers in mid-1991.

However, the Task Force was unable to reach a consensus on an approach to identifying and delivering an appropriate level of such bridging support. Two approaches were considered:

- (1) A system of interim payments towards conservation easements through a system of universal acreage payments to tender fruit producers. Such a program would be designed around specific eligibility criteria such as residency, minimum production requirements, and land use restrictions (this program should not predetermine details of the conservation easement program);
- (2) Transitional income support based on individual producer need and targeted to Niagara tender fruit producers.

Producers have stressed the fragile economic circumstances faced by individual producers, and it is essential that an appropriate approach be determined within the 'immediate' time frame to ensure their survival. Such bridging assistance is appropriately viewed as 'third line' support, and must be considered additional to the second line GRIP/NISA safety nets.

With respect to the safety nets, the Federal Government recently announced its new Farm Support And Adjustment Measures (FSAM) program. The package will add more than \$400 million to farm income figures through second and third line support. In Ontario, this amounts to \$70 million in assistance for eligible farmers in the form of the Net Income Stabilization Account (NISA), transitional assistance for horticulture producers, and environmental initiatives. OMAF and the Horticulture Industry through the CHC and the OFVGA, are finalizing details of the emergency assistance package.

For the tender fruit sector, it is estimated that 50% of the available funds (about \$3 million) will be used to address industry adjustment problems.

4.1(b) Recommendation

That the producers be made fully aware of the NISA program and that the province commit to the implementation of NISA for horticulture based on the following parameters:

- *Contributions/withdrawals based on net sales*
- *Net sales is defined as gross sales less purchases of like products. For most horticulture producers, net sales equals gross sales*
- *For matching:*
 - Producer: 2% of net sales*
 - Governments: 1% of net sales each*
- *Net sales: gross sales less purchases*
- *Producers can contribute up to an additional unmatched 20% of their net sales*
- *Contributions on maximum of \$250,000 net sales*
- *Producer contributions taxable when made/government contribution and interest on the funds in the account would be taxed only when withdrawn*
- *The producer account balance earns interest at a competitive rate plus 3%*
- *Account ceiling of 1 1/2 times the average net sales in the previous five years to a maximum of \$375,000*
- *Withdrawals would be triggered when either:*
 - .. *The current year margin (net sales less cash costs) falls below the previous five year average; or*
 - .. *the producer's net farm income falls below the sum of \$10,000 and current year contributions*

- producer closes account (2 years before re-entering)*

4.2 Transitional

4.2(a) Recommendation

That OMAF and the Crop Insurance Commission work with the Tender Fruit Industry and the OFVGA to determine the suitability of GRIP for specific tender fruit crops and to develop the appropriate price and yield series and formulas for implementation.

4.2(b) Recommendation

That suitable crop insurance programs be developed for tender fruit producers.

4.3 Long Term

The first line approach offers the only cost effective long term approach to farm sector support. First line solutions offer a stable economic environment, which when coupled with the GRIP/NISA safety nets, are more effective than third line assistance in securing long term viability for the industry.

4.3(a) Recommendation

That OMAF, Agriculture Canada and the industry continue to work to resolve the many unique problems faced by the industry.

4.3(b) Recommendation

That a short term capital assistance program be considered to allow commercial growers to invest in upgraded handling and storage equipment to expand the marketing season and reduce the perishability of crops.

4.3(c) Recommendation

That an interdisciplinary committee be structured to assess the need for a Tender Fruit Program (similar to the "Red Meat" program) improving the viability of the industry in the long term.

4.3(d) Recommendation

That research programs be instituted to investigate the actual effects on costs of production, and potential production levels per acre, resulting from the use of trickle irrigation, high density plantings and new varieties.

4.3 Recommendation

That technology transfer services by OMAF be improved and expanded. All areas of production technology need to be reviewed in light of changing market conditions to ensure that timely technology is achieved.

Priority 'B' Issues

5. Harmonization of Standards

5.1 Immediate

The Task Force has identified many concerns expressed by the tender fruit growers regarding the use and importation of pesticides. It is acknowledged that the Federal Government has jurisdiction -- both legally and constitutionally -- over this area. OMAF's role is to continue to alert federal officials to the concerns expressed by the tender fruit industry and urge the Federal Government to take the necessary steps to maintain a system of fairness.

5.1(a) Recommendation

That OMAF continue to monitor federal actions (especially as they relate to the on-going developments following the release of the pest management regulatory committee report).

5.1(b) Recommendation

That OMAF continue to provide input to the Agriculture Policy Review

5.1(c) Recommendation

That OMAF support the growers, through their organization(s), in the identification of strategies for solutions, and work on a case by case basis for resolution in co-operation with various government agencies.

5.2 Transitional**5.2(a) Recommendation**

That Agriculture Canada and OMAF continue to work in co-operation with Environment and Health Departments to identify long term approaches to harmonization.

5.2(b) Recommendation

That special emphasis be placed on addressing the importation of food that is treated with products not licensed for use in Ontario.

5.2(c) Recommendation

That there is a role for strengthened growers' organization to assume a greater role in the early identification of issues involving harmonization and in developing solutions.

6. Marketing Initiatives

There are two fundamental elements in identifying new markets and enhancing the marketing of tender fruit: (1) establishment of new and enhanced joint marketing initiatives, and (2) development of long term strategic directives for the industry.

6.1 Immediate

6.1(a) Recommendation

That the \$40,000 limit under the shared cost program for joint marketing initiatives, administered by the Market Development Branch, be restored to \$66,000 and that applications be accepted for individual crops rather than only for individual Boards.

6.1(b) Recommendation

That an analysis of new and existing markets for pears and clingstone peaches be undertaken by the Tender Fruit Marketing Board supported by and in consultation with OMAF.

6.1(c) Recommendation

That a support period (ie: five years) be established for strategic planning for marketing initiatives and for long term program development.

6.2 Transitional

It is essential to build up the resource base and operational abilities for the growers' marketing organization to respond quickly to opportunities through special marketing initiatives.

6.2(a) Recommendation

That industry-led marketing research and analysis for commodities such as sour cherries and pears be continued under the guidance of an advisory committee comprised of OMAF, the industry and the Tender Fruit Board.

6.2(b) Recommendation

That the industry continue to work closely with the Ontario Horticultural Marketing Services (OHMS) group in identifying and developing market research.

6.2(c) Recommendation

That Agriculture Canada be consulted regarding potential shared cost programs for marketing initiatives.

6.3 Long Term

Marketing is an on-going effort and its success will reduce the necessity for the off-set programs discussed above. Continuing efforts will be needed and the goal should be to make the industry's marketing organizations effective, independent and self-sufficient.

6.3(a) Recommendation

That the Tender Fruit Board finalize its long-term strategic planning exercise in consultation with Farm Products Marketing Commission major stakeholders, including OMAF.

Through the FPMC, OMAF can provide a specialist to work with growers, retailers and processors to co-ordinate the strategic planning process.

6.3(b) Recommendation

That research on market development continue in the long term. Where possible, linkages to federal programs should be sought and encouraged. Staff at the Farm Products Marketing Commission will continue to work with the industry in the long term.

6.3(c) Recommendation

That Innovation Agriculture continue work on business planning for the identification of alternative crops suitable for production in the Niagara area.



Ontario

Ministry of
Agriculture
and Food

Ministère de
l'Agriculture et
de l'Alimentation

news release communiqué

TASK FORCE TO DEAL WITH AGRICULTURAL FINANCE AND FARMLAND ISSUES IN NIAGARA TENDER FRUIT INDUSTRY

For Release: Feb. 18, 1991

TORONTO - The short and long term issues facing the tender fruit industry in the Niagara region will be the focus of a newly established task force, Ontario Agriculture and Food Minister Elmer Buchanan announced today. The task force was formed following a recent meeting between Buchanan and representatives of the tender fruit industry and the regional government.

The five-member task force includes: Arnold Lepp, president of the Niagara North Federation of Agriculture; Dick Teather of the Ontario Tender Fruit Growers' Marketing Board; Alan Veale, planning director for the Regional Municipality of Niagara; Gary Davidson, special advisor to the Minister of Agriculture and Food; and, Len Roozen, director of the ministry's policy analysis branch.

"The task force brings together growers along with the regional and provincial governments to work out solutions to the agricultural finance and farmland issues in the Niagara region," said Buchanan. "I want to emphasize that this task force has responsibility to bring me action plans. It is not just another study of the tender fruit industry."

The task force anticipates holding a number of meetings over the next several weeks and intends to report to the minister by early April.



The task force's terms of reference include:

- . analysis of the short-term income situation facing tender fruit farmers in the Niagara region;
- . analysis and feasibility of current and anticipated income stabilization plans for the tender fruit industry;
- . analysis of longer-term income and land use issues and development of feasible options for industry adjustment;
- . development of action plans relating to the above options that may be pursued by all stakeholders in co-operation with each other; and,
- . formation of processes to ensure continued involvement of all stakeholders in the development and implementation of agreed upon action plans.

Past research and reports, including the July 1990 report of the Niagara Tender Fruit Working Group, will be used by the task force. The members will also consult with other municipal and provincial agencies and department and the federal government for advice, input and action.

The task force noted that its recommendations will be guided by concern for the future viability of rural communities, the continued sustainability of agricultural land and the provision of stable levels of farm income in the industry.

Ref: Eugene Ellmen
Communications Assistant to the Minister
Tel: (416) 326-3069

Len Roozen
(416) 326-3252

(Version française disponible)